

Example of the Budgeting Process and Impact of Tax Policy Decisions

Assumptions for example local taxing jurisdiction

\$12,500 The total budgeted amount of an example local taxing jurisdiction

\$2,500 Non levy revenue pays for a portion of the total budget (PILT, Fees, etc)

\$10,000 The remaining portion of the budget to be funded by mill levies or Operating Budget

Assumptions for tax classes and taxable value (taxable value = appraised value X tax rate)

Montana has 16 tax classes (2 have been repealed and are not used) but for this example assume that there are three (3) tax classes in the example local taxing jurisdiction. No description of the tax classes is assumed or provided, there are simply 3 tax classes with this example. Total Taxable Value of the three classes is \$50,000.

Calculating a mill levy for the taxing jurisdiction

Budget / Taxable Value = Mill Levy

Operating budget = \$10,000

Taxable Value (TV) = \$50,000

see "Mix of Tax Classes within Example Local Tax Jurisdiction"

taxable value) = 0.2000

Mill Levy, usually expressed as 200 mills.

Mix of Tax Classes within Example Local Tax Jurisdiction

Example Tax Class	Taxable Value (TV) by Tax Class	Assumed Number of Taxpayers	Tax Liability per Tax Class (200 mills X TV)	Average Tax Liability per Taxpayer
a	\$15,000	4	\$3,000	\$750
b	\$25,000	8	\$5,000	\$625
c	\$10,000	6	\$2,000	\$333
Totals	Total Taxable Value \$50,000	Total Taxpayers 18	Operating Budget \$10,000	Avg Tax/Taxpayer \$569

Example of Impact of Decision to Eliminate a Tax Class

Impact of Tax Decision Eliminating the taxes on a tax class

Example Tax Class	Taxable Value (TV) by Tax Class	Assumed Number of Taxpayers	Tax Liability per Tax Class (250 mills X TV)	Average Tax Liability per Taxpayer
a	\$15,000	4	\$3,750	\$938
b	\$25,000	8	\$6,250	\$781
c	\$0.00	0	\$0.00	\$0.00
Totals	Total Taxable Value \$40,000	Total Taxpayers 12	Operating Budget \$10,000	Avg Tax/Taxpayer \$859

Impact on calculated mill levy based on tax decision

Budget / Taxable Value = Mill Levy

Operating budget = \$10,000

Taxable Value (TV) = \$40,000

see "Impact of Tax Decision"

Mill Levy (budget divided by taxable value) =

0.250

Mill Levy, usually expressed as 250 mills